

Message Text

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TAGS: ETRD, EFIN, UK, UR
SUBJECT: BRITISH-SOVIET TRADE TALKS

1. THE ANNUAL MEETING OF THE BRITISH-SOVIET INTER-
GOVERNMENTAL COMMISSION CONCLUDED MAY 14 WITH THE USUAL
FLURRY OF OPTIMISTIC PRONOUNCEMENTS ON BOTH SIDES THAT
BIG TRADE DEALS MAY BE ON THE WAY. SOVIET REPRESENTA-
TIVES MADE IT CLEAR THEY WANT TO TAKE UP THE OUTSTANDING
UK OFFERS OF CREDIT AND ACTUAL CONTRACTS WILL NOW HINGE
ON BRITISH INDUSTRIES' ABILITY TO PRODUCE COMPETITIVE
PROPOSALS.

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2. LED BY COUNCIL OF MINISTERS DEPUTY CHAIRMAN VLADIMIR
KIRILLIN, THE SOVIET DELEGATION ARRIVED IN LONDON AGAINST

A BACKDROP OF INCREASING BRITISH CONCERN ABOUT THE USSR'S FAILURE TO TAKE UP MUCH OF THE 950 MILLION POUND CREDIT EXTENDED 15 MONTHS AGO (SEE LONDON 1655). MANY UK OFFICIALS HAD EXPECTED THE COMBINATION OF COMPETITIVE CREDIT TERMS AND SUBSTANTIALLY IMPROVED BI-LATERAL DIPLOMATIC RELATIONS TO RESULT IN MAJOR NEW CONTRACTS FOR UK FIRMS. TO DATE ONLY 25 MILLION POUNDS WORTH OF CONTRACTS HAVE BEEN SIGNED.

3. KIRILLIN DEFENDED DELAYS IN UTILIZING THE CREDIT BY LIGHTLY CHIDING UK INDUSTRY FOR BEING SLOW TO MAKE SPECIFIC PROPOSALS AND INITIALLY BEING TOO HIGH PRICED. HOWEVER, HE WAS QUITE OPTIMISTIC ABOUT FUTURE PROSPECTS AND DURING PRESS CONFERENCE HE PREDICTED THAT LARGE AMOUNTS OF THE CREDIT WOULD BE TAKEN UP BY THE END OF 1976.

4. UK SIDE WAS HEADED BY THE NEW SECRETARY OF STATE FOR TRADE EDMUND DELL AND WE UNDERSTAND THAT TONE OF MEETING ACTUALLY TURNED OUT TO BE MORE FRIENDLY AND RELAXED THAN AT ANY PREVIOUS SESSION. AREAS DISCUSSED AS BEING MOST LIKELY FOR POSSIBLE CONTRACTS INCLUDED:

- EQUIPMENT FOR ENTERPRISES IN THE FERROUS METALLURGY INDUSTRY;
- COMPLETE EQUIPMENT FOR THE PRODUCTION OF COMPOUND FERTILIZERS AND ALSO PLANT PROTECTION CHEMICALS;
- EQUIPMENT FOR THE CONSTRUCTION OF OFFSHORE DRILLING PLATFORMS;
- INDUSTRIAL GAS TURBINES AND COMPRESSORS FOR GAS PUMPING;
- TELEVISION BROADCASTING AND STUDIO EQUIPMENT.

5. BRITISH OFFICIALS ARE OBVIOUSLY OPTIMISTIC -- BOTH IN PRIVATE AND PUBLIC STATEMENTS. THEY EXPECT 4-500 MILLION POUNDS IN NEW CONTRACTS TO BE SIGNED BEFORE THE END OF THE YEAR.

6. COMMENT: THE ROSEY UK VIEW MAY WELL BE JUSTIFIED.
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THE POUND'S DECLINE MAKES BRITISH PRODUCTS A RELATIVELY GOOD BUY AT THE PRESENT TIME. ALSO, THE ACCUMULATED LEVEL OF SOVIET BORROWINGS COMBINED WITH ANTICIPATED SHORTAGES OF HARD CURRENCIES HAS PRODUCED A RELUCTANCE IN THE MARKET TO EXTEND ADDITIONAL CREDITS TO USSR AT PREFERENTIAL RATES. AS A RESULT, UK CREDITS MAY LOOK INCREASINGLY APPEALING, ESPECIALLY IF EMBASSY MOSCOW IS CORRECT THAT SOVIET UNION MAY FACE A SUBSTANTIAL AND UNEXPECTED NEED FOR HARD CURRENCY.

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